

Message Text

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INFO AMEMBASSY AMMAN

AMEMBASSY BEIRUT

AMEMBASSY CAIRO

AMEMBASSY DAMASCUS

AMEMBASSY LONDON

AMCONSUL JERUSALEM

C O N F I D E N T I A L SECTION 1 OF 2 TEL AVIV 1466

PLEASE PASS TREASURY FOR TRANSMITTAL TO SECRETARY SIMON'S PARTY

E.O. 11652: GDS

TAGS: PFOR, PINT, IS, US

SUBJECT: ISRAELI POLITICAL SCENE AFTER RABIN'S U.S. VISIT--II

REF: TEL AVIV 1088

BEGIN SUMMARY: TURBULENT DOMESTIC POLITICAL SCENE IS CHARACTERIZED BY SHARPLY CRITICAL REACTIONS TO LATEST GOI FOREIGN POLICY AND DOMESTIC INITIATIVES, AND SPECULATION ABOUT IMMINENT GOVERNMENT CRISIS. CABINET DECISION TO EXPLORE PROSPECTS FOR "TERMINATION OF THE STATE OF WAR" AGREEMENTS IS VIEWED BY LABOR ALIGNMENT MODERATES AS ABANDONING PEACE PROSPECTS AND BY LIKUD/NRP HARDLINERS AS CAVE-IN TO U.S. PRESSURE AND FURTHER EROSION OF GOI CREDIBILITY. ON DOMESTIC FRONT, KNESSET MEMBERS ARE HIGHLY CRITICAL OF BUDGET PRESENTATION, VIEWING

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IT AS FAILING TO COME TO GRIPS WITH PRESSING ECONOMIC PROBLEMS.

PRESS CONTINUES TO CRITICIZE RABIN'S HANDLING OF THE GOVERNMENT AND THE PARTY, TO SPECULATE ON IMMINENT RESIGNATION OF ARIK SHARON AND OTHER ADVISORS, AND TO EXPRESS CONCERN ABOUT RABIN'S ABILITY TO MEET CHALLENGES AHEAD. WHILE SHARON'S PROPOSAL FOR ALTERNATE GOVERNMENT OF PROMINENT PERSONALITIES IS VIEWED AS UNREALISTIC, ATTENTION PAID TO IT IS SYMPTOMATIC OF CURRENT STATE OF DISSATISFACTION. DESPITE THESE EXPRESSIONS OF OPPOSITION, GOVERNMENT IS PROBABLY NOT IN DANGER OF FALLING, AT LEAST AT THIS TIME, BECAUSE A) LABOR PARTY SEES NO ALTERNATIVE TO RABIN AND IS UNPREPARED TO CONFRONT NEW LEADERSHIP CRISIS, AND B) RABIN-PERES RELATIONSHIP, IN SPITE OF STRAINS AND TENSIONS, SEEMS TO HAVE SURVIVED ARMS SUPPLY AFFAIR. PERES WILL NOT BOLT LABOR PARTY AND IS UNLIKELY TO CHALLENGE RABIN FRONTALLY UNTIL NEXT NATIONAL ELECTION. END SUMMARY.

1. MAIN FEATURE OF DOMESTIC SCENE REMAINS THE STEADY DRUM-BEAT OF CRITICISM AGAINST RABIN PERSONALLY, HIS HANDLING OF CABINET AND PARTY AFFAIRS, AND CONTINUING SPECULATION ABOUT HIS IMMINENT POLITICAL DEMISE. EXPERIENCED OBSERVERS--EDITORS, COMMENTATORS AND OTHERS--WITH WHOM WE HAVE SPOKEN IN RECENT DAYS, HOWEVER BELIEVE THAT PREDICTIONS OF RABIN'S DEPARTURE ARE DISTINCTLY PREMATURE. WHILE THERE IS WIDESPREAD AGREEMENT THAT RABIN'S STANDING HAS BEEN WEAKENED BECAUSE OF RECENT SNAFUS (REFTEL) AND THAT GOVERNMENT IS LIKELY TO ENCOUNTER CONTINUING DIFFICULTIES IN REACHING DECISIONS ON TOUGH FOREIGN POLICY AND DOMESTIC ISSUES AHEAD, NO GOVERNMENT CRISIS APPEARS IN THE OFFING.

2. AS "ARMS SUPPLY LIST AFFAIR" AND UPROAR OVER AVINERI APPOINTMENT HAVE RECEDED FROM THE LIMELIGHT, ISRAELI POLITICIANS AND POLITICAL COMMENTATORS NOW ARE FOCUSING ON CABINET DECISION TO EXPLORE POSSIBILITY OF AGREEMENTS BASED ON "TERMINATION OF STATE OF WAR" WITH EGYPT, JORDAN, AND SYRIA. WHILE OPPOSITION OF LIKUD AND NRP HARDLINERS WAS EXPECTED, THE DECISION HAS ALSO EVOKED SHARP CRITICISM FROM MORE DOVISH RANKS. LABOR ALIGNMENT PROPONENTS OF AN ISRAELI OVERALL SETTLEMENT INITIATIVE, LED BY ABBA EBAN, HOLD THAT CABINET ENDORSEMENT OF END OF BELLIGERENCY FORMULA REPRESENTS SETBACK TO PEACE PROSPECTS. A LEADING DOVE, GIDEON

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SAMET, WHO EDITS THE HIGHLY-REGARDED INDEPENDENT HAARETZ, WROTE FEBRUARY 25 THAT IT IS NO LONGER NECESSARY TO QUOTE SADAT SINCE GOI ITSELF HAS NOW ANNOUNCED THAT THERE WILL NOT BE PEACE IN THIS GENERATION. RIGHTWING COMMENTATORS MAINTAIN THAT RABIN HAS "BOWED TO U.S. PRESSURES" IN BRINGING THIS DECISION TO THE CABINET. GIVEN THE WIDESPREAD SKEPTICISM WHETHER SUCH AN INITIATIVE CAN EVER GET OFF THE GROUND, PARTICULARLY IN VIEW OF THE SHARP NEGATIVE ARAB REACTION SO

FAR, THE DOMESTIC CRITICISM AT THIS STAGE SEEMS TO BE FOCUSING MORE ON QUESTION OF GOVERNMENT'S CREDIBILITY. MANY ISRAELIS MAINTAIN THAT ISRAEL WITHDREW FROM PASSES AND OIL FIELDS WITHOUT EGYPTIAN AGREEMENT TO NON-BELLIGERENCY, WHICH RABIN HAD INITIALLY SAID WAS THE CONDITION FOR SINAI II, AND THEY SEE SIMILAR EROSION LYING AHEAD. CRITICS ALSO CHARGE THAT CABINET DECISION OVERTURNS U.S./ISRAELI UNDERSTANDING IN MEMORANDUM OF AGREEMENT THAT NEXT STEP WITH EGYPT AND JORDAN WOULD BE FINAL PEACE.

3. ANTI-GOVERNMENT PRESS CAMPAIGN. IN ADDITION TO THE REGULAR ATTACKS ON THE RABIN GOVERNMENT FROM THE RIGHT-WING AFTERNOON PRESS, HAARETZ HAS INTENSIFIED ITS CRITICISM OF RABIN. HAARETZ COMMENTATORS DAY AFTER DAY HAVE CAST DOUBT ON HIS ABILITY TO MAINTAIN EFFECTIVE WORKING RELATIONSHIP WITH HIS COLLEAGUES, HIS HANDLING OF THE LABOR PARTY, AND SUBSTANCE OF GOVERNMENT POLICIES. YOEL MARCUS, WHO HAD CONDUCTED SEMINAL INTERVIEW WITH RABIN IN DECEMBER 1974 WHICH GAVE RISE TO "SEVEN LEAN YEARS" THEORY, WROTE LAST WEEK THAT RABIN IS CONDUCTING "SCORCHED EARTH" POLICY OF DESTROYING HIS BASE OF SUPPORT.

4. ALTERNATIVE GOVERNMENT. AFTER THE TRIAL BALLOON OF AN ALTERNATIVE LIKUD/NRP/RAFI COALITION ROSE AND FELL, THE PUBLIC HAS NOW BEEN PRESENTED WITH THE SUGGESTION THAT ARIK SHARON--STILL RABIN'S GENERAL ADVISOR--MAY TRY TO FORM AN "APOLITICAL" GOVERNMENT OF PROMINENT PERSONALITIES. SIX EX-GENERALS--INCLUDING SHARON, WEIZMAN, YARIV AND AMIT--IN WEEKEND RADIO INTERVIEW SAID THAT THEY SUPPORTED ALTERNATIVE GOVERNMENT CONCEPT. WHILE COMMENTATORS HAVE TREATED ALTERNATIVE GOVERNMENT PROPOSAL AS HIGHLY UNREALISTIC, ABOVE ALL BECAUSE NEITHER RABIN NOR PERES GIVE ANY SIGN OF RESIGNING, IT IS NONE THELESS CONFIDENTIAL

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A SYMPTOM OF PREVALENT MOOD OF DISSATISFACTION AND FRUSTRATION IN ISRAELI BODY POLITIC. MEANWHILE, RUMOR MILLS CONTINUE TO CLAIM THAT WAVE OF RESIGNATIONS BY SHARON AND OTHER GOVERNMENT ADVISORS ARE IN THE OFFING.

5. ECONOMIC MALAISE. RECENT RESIGNATION OF TWO KEY OFFICIALS IN MINISTRY OF FINANCE - INCOME TAX COMMISSIONER MANN AND ECONOMIC ADVISOR BRUNO - ARE PROVIDING ADDITIONAL EMBARRASSMENT TO GOVERNMENT. FINANCE MINISTER RABINOWITZ IS TRYING TO PERSUADE THEM TO STAY ON BUT IT IS DOUBTFUL THEY WILL DO SO. BOTH OFFICIALS HAVE CHARGED PUBLICLY THAT RABINOWITZ, AND BY IMPLICATION RABIN, ARE GIVING INADEQUATE SUPPORT TO BUDGET RESTRAINT AND OTHER MEASURES TO COMBAT INFLATION AND REDUCE BALANCE OF PAYMENTS DEFICIT. THEY SAY THAT POLITICAL CONSIDERATIONS HAVE BEEN PERMITTED TO

STAND IN WAY OF STEPS REQUIRED TO ACHIEVE GOVERNMENT'S STATED ECONOMIC POLICY OBJECTIVES. THIS DEVELOPMENT HAS HEIGHTENED GENERAL UNCERTAINTY AND CONCERN OVER STATE OF THE ECONOMY AS WELL AS PUBLIC DOUBTS ABOUT PRESENT GOVERNMENT'S ABILITY TO DEAL WITH COUNTRY'S ECONOMIC PROBLEMS.

6. THE BOTTOM LINE. IT IS WORTH RECALLING THAT PAST ISRAELI GOVERNMENTS HAVE FALLEN ONLY WHEN THE COALITION PARTIES LOST CONFIDENCE IN THEIR LEADERS, NOT BECAUSE OF ATTACKS BY THE OPPOSITION. DESPITE OBVIOUS DISAPPOINTMENT WITH RABIN, CONSENSUS IN LABOR PARTY CIRCLES REMAINS THAT THERE IS NO PRESENT ALTERNATIVE TO HIM. MOREOVER, THE PARTY IS STILL RECOVERING FROM ITS 1974 SHAKE-UP AND IS IN NO MOOD FOR ANOTHER INTERNAL CRISIS.

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R 271400Z FEB 76

FM AMEMBASSY TEL AVIV

TO SECSTATE WASHDC 388

INFO AMEMBASSY AMMAN

AMEMBASSY BEIRUT

AMEMBASSY CAIRO

AMEMBASSY DAMASCUS

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7. RABIN-PERES RIVALRY. RABIN-PERES RELATIONSHIP IS KEY TO COALITION STABILITY. ALTHOUGH STRAINS AND TENSIONS ARE

LIKELY TO CONTINUE, GIVEN INNATE RIVALRY BETWEEN THE TWO AND SOUR TASTE LEFT BY ARMS SUPPLY AFFAIR, PERES HAS CHARACTERIZED AS UNFOUNDED THE SPECULATION THAT HE IS CONSIDERING RESIGNATION TO HEAD UP ALTERNATE GOVERNMENT. WHILE PERES CAN CHANGE HIS MIND, SEVERAL FACTORS SUPPORT THE VIEW THAT HE WILL NOT PROVOKE CRISIS IN 1976. AS DEFMIN HE OCCUPIES CENTRAL POSITION IN DELIBERATIONS ON FOREIGN POLICY/SECURITY DECISIONS AND AS LEADING REPRESENTATIVE OF CABINET HARDLINERS HE HAS CONTROLLING VOICE, I.E., ABILITY TO BLOCK DEVELOPMENTS TO WHICH HE IS OPPOSED. MOREOVER, AFTER JOINING IN UNSUCCESSFUL RAFI BREAKAWAY FROM MAINSTREAM IN MID 60'S, PERES RECOGNIZES THAT HIS FUTURE LIES WITHIN AND NOT AGAINST LABOR PARTY. TIME FOR PERES TO MAKE HIS MOVE, IF HE DECIDES TO DO SO, WILL BE IN SELECTION OF PARTY LEADER FOR NEXT ELECTION (NOW CONFIDENTIAL

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SCHEDULED FOR LATE 1977).

8. ON TO SEBASTIA. THE NEXT CONTROVERSIAL ISSUE TO CONFRONT THE GOVERNMENT IS LIKELY TO BE THE SHOWDOWN WITH THE SO-CALLED SEBASTIA SETTLERS WHO HAVE BEEN ENSCONCED AT NEARBY ARMY CAMP SINCE EARLY DECEMBER 1975. IN ORDER TO AVERT VIOLENCE, RABIN HAD AGREED TO THIS COMPROMISE RATHER THAN ATTEMPT THEIR REMOVAL. HE NOW FACES A REAL DILEMMA, SINCE MAPAM INSISTS THAT THE SETTLERS BE REMOVED WHILE NRP HARDLINERS AND GUSH EMUNIM ARE EQUALLY DETERMINED TO ESTABLISH PERMANENT SETTLEMENT THERE. PERES HAD PROMISED THE SETTLERS A CABINET DECISION WITHIN THREE MONTHS: RABIN'S HANDLING OF SEBASTIA SETTLERS WILL TEST WHETHER HE STILL HAS THE POWER TO LEAD THE COALITION AND ALSO SMOKE OUT WHERE HE HIMSELF STANDS ON THE ISSUE. IT COULD BECOME A REAL DONNYBROOK.

9. CONCLUSION. OUR VIEW OF THE ISRAELI DOMESTIC SCENE REMAINS BASICALLY UNCHANGED, I.E., ON BALANCE IT SEEMS PROBABLE THAT CURRENT COALITION WILL CONTINUE IN OFFICE FOR INDEFINITE FUTURE, ALTHOUGH POSSIBILITY OF FLASH CRISIS OR RESIGNATION OF RABIN OR PERES CANNOT BE ENTIRELY RULED OUT. POSSIBILITY OF EARLY ELECTION, WHICH LABOR ALIGNMENT DOVES HAD BEEN URGING UPON RABIN SINCE ATTAINMENT OF SINAI II, HAS RECEDED. IN CURRENT CIRCUMSTANCES RABIN HAS LITTLE INTEREST IN GOING TO THE ELECTORATE AHEAD OF TIME. INEVITABLY, THE TIMING OF THE NEXT ELECTION IS CONNECTED NOT ONLY TO DOMESTIC POLITICS BUT ALSO TO NEGOTIATING PROSPECTS. IF THE JORDANIAN OPTION MATERIALIZES, PRESSURES FOR AN EARLY ELECTION ARE LIKELY TO INCREASE AND MAY PROVE IRRESISTIBLE. OTHERWISE, RABIN PROBABLY WILL PREFER TO DEFER THE MOMENT OF RECKONING WITHIN THE PARTY AND MORE BROADLY BETWEEN THE LABOR ALIGNMENT AND THE LIKUD UNTIL 1977.

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